

# TENNESSEE MUNICIPAL LEAGUE

## Legislative Bulletin

May 23, 2003

### Senate adopts budget plan cutting local revenues, House disagreed with amendment to protect cities

On May 21, the Senate passed SB 1991, the Omnibus Bill, which makes numerous statutory changes necessary to implement a variant of the Governor's budget plan for FY 2003-2004. The Senate plan was similar to what had already been approved by the House on May 15.

The principal difference in the Senate version is a provision limiting shared tax cuts to an average of 9% for each local government. The Governor's original budget plan called for 9% cuts in all shared taxes. The revised plan restructured the cuts to leave some shared taxes whole, leave some at 9% cuts, and increase the cut in the Hall to 33%. As a result of this restructuring, more than 40 cities would be cut by more than 9%.

The Senate approved Amendment 21 to SB 1991, which limits the cut to 9%. Amendment 21 provides the following:

*There is established within the general fund the state-shared revenue reduction mitigation account. Any amounts in the state-shared revenue reduction mitigation account shall be applied by the commissioner of finance and administration to offset reductions in state-shared revenues allocated to local governments pursuant to the provisions of this act so that such reductions shall not exceed nine percent (9%) of state-shared revenues that otherwise would have been allocated to any such local government. Funds shall be restored on a pro rata basis taking into account the percentage reduction to each local government from each state-shared revenue source.*

**Nine percent cut cap not a certainty.** It was anticipated that the House would concur in the Senate amendment limiting cuts, but, the House took the surprise action of non-concurring in Amendment 21. By non-concurring, the Senate would have to accept the House action, or, if it stood firm on the amendment, the entire bill would have gone to conference committee. However, before the Senate could consider the House's non-concurrence, the House recalled the bill from the Senate desk. This gives the House a chance to reconsider its action and avoid going to conference committee. **Calls are needed to every House member to urge that the House reconsider its non-concurrence, and instead, the House should concur with Senate action** (see list on next page).

**Preserving shared taxes fell short by one vote.** Sens. **Bill Clabough, Jerry Cooper, and Ron Ramsey**, all

champions of local government, coordinated their efforts to protect local revenues, but their amendment was tabled on a 17-16 vote. After the Clabough-Cooper-Ramsey plan fell short by one vote, Sen. **Jim Bryson**, undeterred by the Senate's previous vote, attempted to advance an amendment to reduce shared tax cuts significantly. Sen. Bryson's amendment was tabled as well. All 16 senators voting "No" on the tabling motion should be thanked and praised for their efforts. Senators voting "No" were: **Ben Atchley, Jim Bryson, Tim Burchett, Bill Clabough, Steve Cohen, Jerry Cooper, Rusty Crowe, John Ford, David Fowler, Bill Ketron, Randy McNally, Mark Norris, Curtis Person, Ron Ramsey, Steve Southerland, and Lt. Gov. John Wilder.**

Senators voting to table the Clabough-Cooper-Ramsey amendment were: Mae Beavers, Charlotte Burks, Ward Crutchfield, Roscoe Dixon, Jo Ann Graves, Thelma Harper, Joe Haynes, Doug Henry, Roy Herron, Doug Jackson, Tommy Kilby, Rosalind Kurita, Jim Kyle, Don McLeary, Jeff Miller, Larry Trail, and Mike Williams.

**The plan.** The revised plan totally restructures the shared tax cuts so that, in the aggregate, the cuts represent 5.5% of shared taxes. However, some items aren't being cut at all and others are being cut by much more than 5.5%. The Hall income tax is being cut 33%. The average county cut is 1.8% and the average city cut is 8.1%.

Tax	Total	Cut	% Cut
Hall income	\$50.2 million	\$16.7 million	33%
State sales	\$218.1 million	\$16.4 million	7.5%
Mixed drink	\$19 million	\$1.7 million	9%
Bank excise	\$16.6 million	\$1.5 million	9%
Alcoholic beverage	\$5.4 million	\$0.5 million	9%
State beer barrelage	\$3.2 million	\$0.3 million	9%
Coal severance	\$0.8 million	\$0.07 million	9%
Gas & motor fuel	\$267.9 million	\$0	No cut
Gas inspection	\$12 million	\$0	No cut
TVA payments	\$81.1 million	\$0	No cut
<b>SubTotal</b>	<b>\$674.3 million</b>	<b>\$37 million</b>	<b>5.5%</b>
9% Cut Cap		(\$1.5 million)	
<b>Total</b>		<b>\$35.5 million</b>	

**TML shared tax estimates.** Included with this bulletin are shared tax distribution estimates. The table shows estimated distributions for each of the shared taxes,

excluding the coal severance tax, which is only shared with counties. Also provided in the table are projected total shared tax distributions with cuts and total projected shared tax distributions without cuts. This information is necessary to determine the average cut percentage for each city, as those cities that would receive a cut greater than 9% will have money restored if Amendment 21 ultimately becomes part of the budget plan. The last column of the table shows the estimated restoration amount.

The intent of the language of Amendment 21 is to ensure that, when all state-shared tax cuts are considered together, no local government receives a cut of more than 9%. However, most shared taxes are distributed monthly, while the Hall income tax is distributed once per year. It is unclear if payments from the “shared revenue reduction mitigation account” would be made at the end of the year after it is known which local governments received cuts greater than 9% or if payments would be made throughout the year based on estimates of overall shared tax losses.

The TML estimates are based on historical shared tax distribution data, as well as projected tax collection levels. Local officials are encouraged to compare the TML estimates to local estimates, as unique local factors not accounted for in historical data, such as changes in population, differences in projections of Hall tax revenue, mixed drink revenues, or other revenues, could affect the accuracy of these estimates.

**43 House members deserve special praise.** When the House considered the Omnibus Bill last week, Rep. Jason Mumpower led the charge for local governments. Rep. Mumpower offered an amendment to leave state shared taxes whole. There was a motion to table Rep. Mumpower’s amendment, which prevailed on a 53-43 vote.

**The 43 representatives voting against the tabling motion were:** William Baird, H.E. Bittle, Diane Black, Harry Brooks, Dewayne Bunch, Glen Casada, Chris Clem, Jerome Cochran, Chris Crider, David Davis, Tom DuBois, Bill Dunn, Jimmy Eldridge, Steve Godsey, Dolores Gresham, Jamie Hagood, Tre Hargett, Mike Harrison, Beth Halteman Harwell, David Hawk, Joey Henlsey, Phillip Johnson, Russell Johnson, Susan Lynn, Judd Matheny, Joe McCord, Steve McDaniel, Bob McKee, Richard Montgomery, Jason Mumpower, Chris Newton, Gary Odom, Doug Overbey, Bubba Pleasant, Dennis Roach, Donna Rowland, Charles Sargent, Jack Sharp, Paul Stanley, Curry Todd, Nathan Vaughn, Jim Vincent, and Bobby Wood. **Each of these representatives should be thanked** for their strong support of local government.

#### Adjournment next week is likely

Clearly, the General Assembly is hoping to adjourn next week. The House and Senate will return on Tuesday, May 27 with the hope of concluding their work for the year by the end of the week. **Local officials will need to stay engaged and watch for any alerts from TML.**

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## STATUS UPDATES

### PUBLIC SAFETY

**Definition of a fire department** – SB 887 by (Clabough)/HB 727 (Curtiss) enacts the "Fire Department Recognition Act" and defines volunteer fire departments. **TML supports this bill.** *SB 887 is scheduled to be heard in the Senate Finance Ways and Means Committee May 27. HB 727 passed in the Commerce Committee and is scheduled for May 27 in the House Finance Budget Subcommittee.*

**Administrative inspection warrants** – HB 1652 (DuBois)/SB 1728 (Williams) establishes procedures for the issuance of administrative inspection warrants authorizing local building officials to inspect premises to determine whether a violation of local building, fire, or life safety codes is occurring. **This is a TML sponsored bill.** *HB 1652 passed in the House Finance Committee and is scheduled for the floor May 27. SB 1728 passed 29-0 in the Senate May 19.*

**Criminal summons in-lieu-of arrest warrants** – SB 1344 (Person)/HB 1293 (Fowlkes) restates requirements for issuance of arrest warrants; provides for issuance of criminal summons, in lieu of arrest warrant, if the affiant is a law enforcement officer. *SB 1344 passed 28-0 in the Senate May 19. HB 1293 passed in the House Finance Committee and has been referred to Calendar and Rules.*

### UTILITIES

**Public records and utilities** – HB 2030 (McMillan)/ SB 1960 (Crutchfield) clarifies that utility service providers' reports identifying areas vulnerable to terrorism or other unlawful disruptions are confidential. *HB 2030 passed in the House May 1. SB 1960 passed in the Senate May 21.*

### PLANNING & ZONING

**Authority to increase zoning board members** – HB 1793 (Ferguson)/SB 1834 (Kilby) authorizes non-metropolitan municipalities to increase board of zoning appeals from three or five members to three, five, seven or nine members. *HB 1793 passed 95-0 in the House May 21. SB 1834 is scheduled to be heard in the Senate Finance Ways and Means May 27.*

### GENERAL GOVERNMENT

**Alderman designated by number** – SB 734 (Norris)/HB 881 (Pleasant) permits mayor-aldermanic municipalities to provide by ordinance, numeric designations for aldermanic positions. **This is a TML sponsored bill.** *SB 734 passed 31-0 in the Senate. HB 881 passed 97-0 in the House May 21.*